

## Message Text

PAGE 01 NATO 06243 01 OF 02 100148Z

62

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-02 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 DODE-00 EB-04 COME-00 FRB-01

NIC-01 /066 W

----- 053032

P 092200Z NOV 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 8694

LIMITED OFFICIAL USE SECTION 1 OF 2 USNATO 6243/1

E.O. 11652: N/A

TAGS: ECON, EFIN, NATO

SUBJECT: ECONADS: APPRECIATION OF ECONOMIC POSITION OF NATO  
AND WARSAW PACT COUNTRIES FOR THE PERIOD THROUGH 1982

REF: STATE 238554

1. IN ALL-DAY ECONOMIC COMMITTEE MEETING NOVEMBER 7, US  
REP (GOODSPEED) ACHIEVED COMMITTEE AGREEMENT EITHER TO ACCEPT  
US SUGGESTIONS AS SPELLED OUT REFTTEL OR TO TAKE THEM INTO  
CONSIDERATION IN NEW DRAFT APPRECIATION. US REP (SUPPORTED  
BY CANADA) OBJECTED STRONGLY TO PICTURE PAINTED OF FAV-  
ORABLE PROSPECTS FOR NORTH AMERICA COMPARED WITH DISMAL  
OUTLOOK FOR EUROPEAN NATO COUNTRIES. US REP POINTED OUT  
THAT SINCE US WAS NOW IN PERIOD OF ZERO GROWTH, HAD UN-  
EMPLOYMENT RATE HIGHER THAN MOST EUROPEAN COUNTRIES, AND  
AGAIN HAD BALANCE OF PAYMENTS DEFICIT, SUCH DISTINCTION WAS  
NOT MERITED. SOME EUROPEAN ALLIES, HE NOTED, HAVE SUFFERED  
MUCH LESS THAN US FROM THESE PROBLEMS, EVEN THOUGH OILV  
PROBLEM HAS BEEN WITH US FOR A YEAR. OTHER ECONADS CONCEDED  
THIS POINT. HOWEVER, TERMS OF REFERENCE FOR ECONOMIC COMMITTEE  
ARE TO MAKE ECONOMIC GROWTH PROJECTIONS THROUGH 1982. SINCE  
PARAGRAPHS WHICH US (AND ALSO CANADA) OBJECTS TO MOST STRONGLY  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 02 NATO 06243 01 OF 02 100148Z

CONTAIN SUCH PROJECTIONS OR DEPEND UPON THEM, ESTIMATES  
MUST BE DRAWN FROM SOME SOURCES AND CITED. BELGIAN REP SAID  
OCTOBER REPORT OF EEC STATES COMMUNITY MIGHT EXPECT GROWTH  
RATE OF 4 - 4.5 PERCENT DURING PERIOD 1973-78, ASSUMING MEMBER

COUNTRIES DEAL WITH EFFECTS OF HIGHER OIL PRICES, ALTHOUGH RANGE AMONG MEMBERS IS WIDE. COMMITTEE AGREED BEST APPROACH IS TO USE EEC ESTIMATES FOR NATO EUROPE FOR PERIOD THROUGH 1978 IF US AND CANADA CAN PROVIDE PROJECTION FOR OWN GROWTH THROUGH SAME PERIOD. FOR 1978-82 PERIOD REPORT COULD USE OECD ESTIMATES MADE IN 1972 WITH CAUTIONARY NOTE THAT SUCH PROJECTIONS MAY WELL BE OVERLY OPTIMISTIC AND, THEREFORE, ACHIEVING DEFENSE GOALS MAY IMPLY WILLINGNESS OF ALLIES TO ACCEPT GREATER DEFENSE BURDEN. ECONOMIC DIRECTORATE CALLED ATTENTION TO ARTICLE IN AUGUST 9 INTERNATIONAL HERALD TRIBUNE WHICH QUOTES A "RECENT US LABOR DEPARTMENT STUDY" WHICH ESTIMATES THAT US GNP, ADJUSTED FOR PRICE CHANGES, WILL GROW AFTER 1978 AT ANNUAL RATES OF JUST OVER 3 PERCENT.

2. ACTION REQUESTED. SINCE ECONOMIC COMMITTEE WILL RETURN TO REDRAFTING APPRECIATION AT NOVEMBER 14 MEETING, MISSION NEEDS BY NOVEMBER 13: (1) PROJECTIONS OF US GROWTH THROUGH 1978; (2) COMMENT ON POSSIBLE GROWTH RATES DURING PERIOD 1978-82; AND (3) ADDITIONAL COMMENTS ON CHANGES IN APPRECIATION WHICH ECONOMIC COMMITTEE AGREED TO TENTATIVELY AT NOVEMBER 7 MEETING (SEE PARAGRAPH 3 BELOW).

3. ECONADS REACHED TENTATIVE AGREEMENT TO REVISE ECONOMIC DIRECTORATE DRAFT (AC/127-WP/407(REVISED) OF OCTOBER 11, 1974) AS FOLLOWS:

PARA 1. ECON DIRECTORATE WILL REDRAFT TAKING INTO ACCOUNT US COMMENTS, PARTICULARLY NEED TO DIFFERENTIATE BETWEEN ECONOMIC PROSPECTS FOR SOVIET UNION AND OTHER WARSAW PACT COUNTRIES.

PARA 2. DIRECTORATE WILL DELETE PHRASE QUOTE AND THE ECONOMIC BASES FOR DEFENSE UNQUOTE TO AVOID IMPLICATION DEFENSE EFFORT WILL INEVITABLY DECLINE IF ECONOMIC GROWTH LOWER. NEW DRAFT WILL TONE DOWN LAST SENTENCE TO AVOID MENTION OF QUOTE WORLD-WIDE ECONOMIC RECESSION UNQUOTE.

PARA 3. NEW DRAFT WILL DISTINGUISH BETWEEN POSITION OF USSR LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 NATO 06243 01 OF 02 100148Z

AND REMAINDER OF THE WARSAW PACT AND WILL INCLUDE TABLE SHOWING VARYING DEPENDENCE OF SOVIET UNION AND INDIVIDUAL EASTERN EUROPEAN COUNTRIES ON FOREIGN TRADE.

PARA 4. SINCE ALL OTHER ECONADS WANTED TO RETAIN IDEA OF PENULTIMATE SENTENCE, NEW DRAFT WILL SPEAK OF UNCERTAIN ECONOMIC INTERRELATIONSHIPS AND WILL DELETE PHRASE QUOTE UNFORESEEN TRAIN OF EVENTS UNQUOTE. NEW DRAFT WILL DELETE OR TONE DOWN LAST SENTENCE.

PARA 5. ECONOMIC DIRECTORATE WILL REDRAFT LAST TWO SENTENCES USING WHATEVER GROWTH PROJECTION US AND CANADA SUPPLY.

PARA 6. ALL OTHER ECONADS WANT TO RETAIN, BUT ECON DIRECTORATE WILL REDRAFT TO INDICATE THAT EFFECTS ON VARIOUS COUNTRIES WILL DIFFER.

PARA 7. AGREED TO DELETION AS SUGGESTED BY US.

PARA 8. ORIGINAL DRAFT FITS MORE CLOSELY THAN SUGGESTED US REDRAFT WITH FINDINGS OF RECENT MEETING WITH EXPERTS ON SOVIET DEFENSE SPENDING. HOWEVER, DIRECTORATE WILL MODIFY TO STATE THAT SOVIET DEFENSE SPENDING NOT LINKED DIRECTLY TO ECONOMIC GROWTH.

PARA 9. ALL ECONADS EXCEPT CANADA AND US WANTED PARAGRAPH RETAINED BY AGREED TO REDRAFT ON BASIS GROWTH PROJECTIONS PROVIDED BY US AND CANADA.

PARA 10. SAME COMMENT AS FOR PARAGRAPH 9.

TABLE ON PAGE 8. INSTEAD OF TABLE, DIRECTORATE WILL DRAFT STATEMENT BASED ON GROWTH PROJECTIONS TO BE PROVIDED BY EEC, CANADA, AND US FOR PERIOD UP TO 1978. FOR 1978-82, ECONOMIC DIRECTORATE WILL USE OECD PROJECTIONS MADE IN 1972 WITH CAUTIONARY STATEMENT THAT THEY MAY BE OVEROPTIMISTIC.

PARA 11. GROWTH RATE PROJECTIONS ARE FROM OECD DOCUMENTS WHICH NEW DRAFT WILL CITE.

PARA 12. COMMITTEE ACCEPTED US SUGGESTED TEXT.  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 04 NATO 06243 01 OF 02 100148Z

PARA 13. COMMITTEE ACCEPTED US SUGGESTIONS.

PARA 14. NEW DRAFT WILL INCLUDE RAW MATERIAL PRICE TABLE AS SUGGESTED BY US AND WILL MODIFY SENTENCE US WOULD LIKE DELETED TO NOTE THAT MEMBER COUNTRIES SHOULD BEAR IN MIND DANGERS OF EXCESSIVE RESTRICTION OF DEMAND.

PARA 15. COMMITTEE ACCEPTED US SUGGESTION.

PARA 16. SOURCES OF CURRENT ACCOUNT PROJECTIONS ARE OECD AND WORLD BANK WHICH NEW DRAFT WILL CITE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 01 NATO 06243 02 OF 02 100154Z

62  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-02 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 DODE-00 SS-15 NSC-05 EB-04 COME-00 FRB-01

NIC-01 /066 W

----- 053041

P 092200Z NOV 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 8695

LIMITED OFFICIAL US SECTION 2 OF 2 USNATO 6243/2

PARAS 17, 18, 19, 20 AND 21. COMMITTEE ACCEPTED SUGGESTED  
US WORDING.

PARA 22. COMMITTEE ACCEPTED US SUGGESTED TEXT BUT ALL OTHER  
ECONADS WANT TO RETAIN MENTION OF ADJUSTMENT OF PRODUCTION  
METHODS WHICH THEY SAID ARE IMPORTANT MEASURES BEING TAKEN IN  
THEIR COUNTRIES.

PARA 23. COMMITTEE ACCEPTED US WORDING.

PARA 24. COMMITTEE AGREED WITH US VIEW AND CHARGED DIRECT-  
ORATE WITH RESPONSIBILITY OF REDRAFTING.

PARA 26. SAME AS FOR PARAS 9 AND 10.

PARA 28. ECONOMIC DIRECTORATE WILL REDRAFT TO NOTE ONLY  
THE BURDEN OF INTEREST PAYMENTS ON DEBTS ACCUMULATED.

PARA 29. SAME AS FOR PARAS 9, 10 AND 26.

PARA 31. COMMITTEE ACCEPTED US SUGGESTION.

PARA 32. AT SUGGESTION BELGIAN ECONAD, DIRECTORATE WILL  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 02 NATO 06243 02 OF 02 100154Z

REDRAFT TO AVOID IDEA WE ARE ALREADY ACCEPTING REDUCTION IN  
DEFENSE SPENDING.

PARA 35. DIRECTORATE WILL REDRAFT TO REFLECT IDEA THAT IN  
SPITE OF OTHER DEMANDS ON BUDGETS, THERE STILL NEED TO MAINTAIN  
LEVELS DEVOTED TO DEFENSE.

PARA 37. SAME AS FOR PARAS 9, 10, 26 AND 29.

PARAS 38 AND 39. COMMITTEE ACCEPTED US WORDING. DIRECTORATE  
WILL COMBINE EARNINGS FROM GOLD AND OIL SALES TO PERMIT

DOWNGRADING TO NATO RESTRICTED (LOU).

PARAS 40, 41 AND 42. DIRECTORATE WILL REDRAFTS TO TAKE  
ACCOUNT OF US VIEWS.

PARAS 43, 44 AND 48. NEW DRAFT WILL MENTION THESE FACTORS  
AS INTERNAL CONSTRAINTS WHICH HAVE ALWAYS BEEN PROBLEM IN  
SOVIET ECONOMY.

PARA 46. COMMITTEE ACCEPTED US SUGGESTION.

PARA 49. NEW DRAFT WILL MENTION ONLY THAT CERTAIN EASTERN  
EUROPEAN COUNTRIES MIGHT BE READY TO APPROVE MODEST REFORMS.

PARA 52. COMMITTEE ACCEPTED US SUGGESTION.

PARA 53. ALL OTHER ECONADS INSISTED ON RETAINING SINCE THEY  
SAID ECONOMIC FACTORS MENTIONED ARE IMPORTANT CONSIDERATION FOR  
THEIR COUNTRIES. HOWEVER, TO ACCOMMODATE US VIEW, NEW DRAFT WILL  
ADD THAT POLITICS ARE MORE IMPORTANT IN DECISIONS TO FOSTER  
JOINT PRODUCTIONS.

PARAS 54 AND 56. NEW DRAFT WILL EMPHASIZE IMPORTANCE OF  
AGRICULTURE AND WILL GIVE SOURCES, WHICH ARE MOSTLY US, FOR  
CHOICE OF GROWTH RATES.

PARA 57 TO END. NEW DRAFT WILL CONFORM TO FINDING OF  
RECENT EXPERTS MEETING ON SOVIET DEFENSE SPENDING.  
MCAULIFFE

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 11 JUN 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ATO06243  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741185/abbryyix.tel  
**Line Count:** 247  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 238554  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 APR 2002 by martinml>; APPROVED <28-Oct-2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONADS: APPRECIATION OF ECONOMIC POSITION OF NATO AND WARSAW PACT COUNTRIES FOR THE PERIOD THROUGH 1982  
**TAGS:** ECON, EFIN, NATO  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005